

18 August 2022

AEMC
Submitted online

Dear AEMC

PIAC request to not expedite APC Rule Change

PIAC is of the view this rule change proposal does not satisfy the requirements to be expedited. There is not an immediate need for the rule change to be progressed, nor the APC increased, as there are compensation options available for generators whose running cost is above the APC. The AEMC has not provided compelling evidence the cause of generators withdrawing capacity is the APC rather than the APP compensation regime or bad behaviour by some generators. Clearly, increasing the APC would have an impact on market outcomes, and is not uncontroversial.

PIAC supports the EUAA's letter to the AEMC to on this matter.

PIAC is particularly concerned about the message expediting this rule change process would send to stakeholders and the market. Market prices settings, including the APC, are determined by two rigorous processes (the Reliability Standards and Settings Review and subsequent Rule Change). These are undertaken at least two years before they take effect, with extensive stakeholder input, and are in effect for four years at a time, to provide the certainty future and current market participants require to make prudent investment and contract decisions.

The proposal to change the APC could be viewed as a knee-jerk - or at least opportunistic - response to recent events, and agreeing to expedite the process of assessing the change would give the appearance the AEMC is prepared to risk the stability of key investment and operational signals. This would create a concerning precedent, and leave the AEMC vulnerable to rule change proponents seeking expedited processes as a matter of course.

Yours sincerely

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